

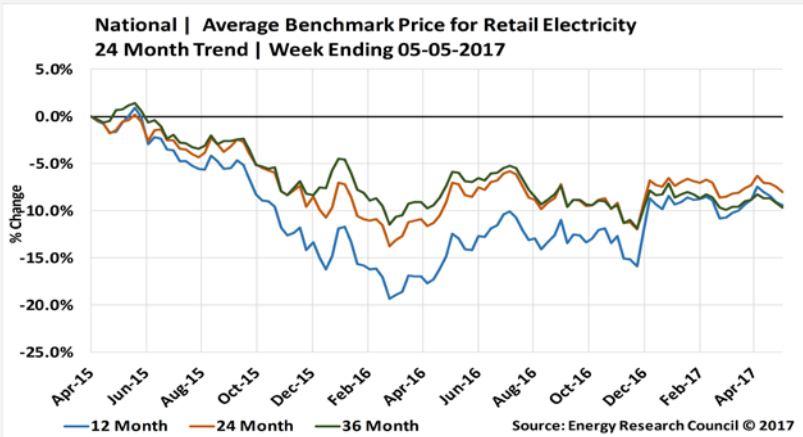
ELECTRICITY BENCHMARK PRICES & TRENDS

Energy Research Council's (ERC) national benchmark price for a June 2017 electricity contract declined slightly last week, dropping by only 0.28% to \$0.0749 per kilowatt hour. The biggest price movement was in Texas where the benchmark price dropped by 3.3%. Prices in other deregulated states shifted less than one percent. Month-over-month, benchmark electricity prices are significantly lower in Illinois (-8.2%), and to a lesser extent in New York (-2.3%), Connecticut (-2.1%), and Rhode Island (-2.0%).

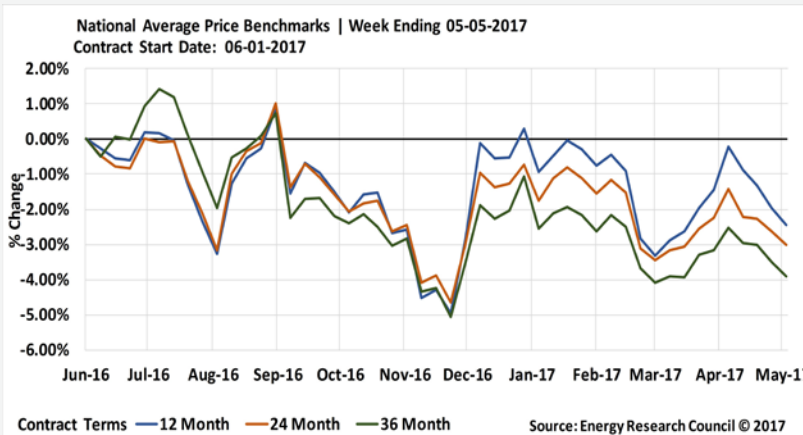
Last week, benchmark prices for longer term (36-60 month) electricity contracts were again lower than short-term (12-24 month) contracts in the District of Columbia, Massachusetts, Ohio, and Pennsylvania.

Favorable pricing for longer term electricity contracts continues to be a function of "backwardation" in both the natural gas and wholesale electricity markets. Calendar 2018-2022 strips are trading considerably below the current 12-month strip. Historically, future prices generally tend to trend higher than short-term prices due to greater risk of market conditions shifting over time, however, an expectation that production will rebound after this year is keeping 2018-2022 prices comparatively low.

COMPETITIVE ELECTRICITY BENCHMARK TRENDS



Contract Start June 2017	Week Ending			Wk/Wk % Chg.	Mo/Mo % Chg.
	4/7/17	4/28/17	5/5/17		
Connecticut	0.0901	0.0885	0.0882	-0.33%	-2.14%
Delaware	0.0755	0.0749	0.0748	-0.14%	-0.85%
District of Columbia	0.0746	0.0738	0.0737	-0.11%	-1.23%
Illinois	0.0600	0.0552	0.0551	-0.16%	-8.20%
Maine	0.0874	0.0865	0.0866	0.04%	-0.97%
Maryland	0.0722	0.0712	0.0711	-0.07%	-1.50%
Massachusetts	0.1090	0.1084	0.1081	-0.34%	-0.86%
New Jersey	0.0934	0.0927	0.0926	-0.21%	-0.95%
New York	0.0662	0.0644	0.0646	0.31%	-2.31%
Ohio	0.0591	0.0587	0.0585	-0.29%	-1.03%
Pennsylvania	0.0682	0.0673	0.0673	0.00%	-1.39%
Rhode Island	0.0958	0.0941	0.0939	-0.23%	-2.01%
Texas	0.0400	0.0408	0.0394	-3.33%	-1.36%
Nat. Average	0.0763	0.0751	0.0749	-0.28%	-1.79%



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MARKET DRIVERS

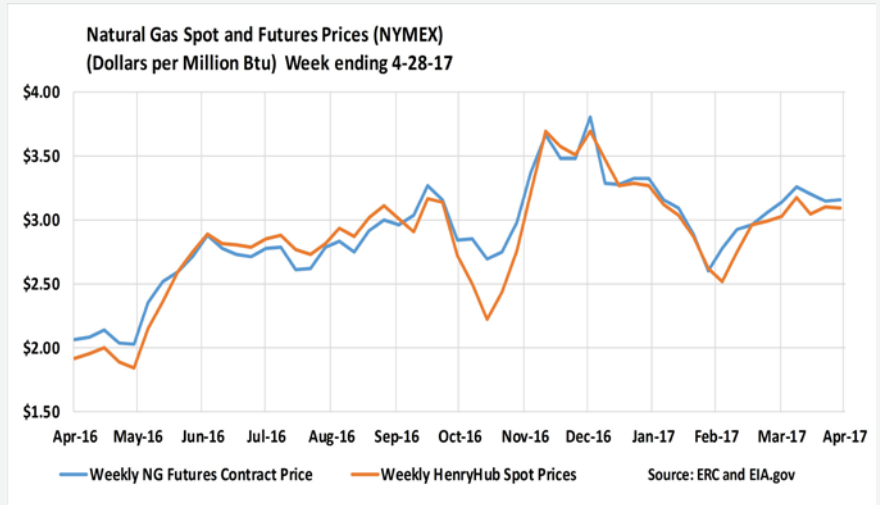
The NYMEX June 2017 natural gas commodity contract closed last week at \$3.266/MMBtu. The market has been unable to sustain a significant price move in either direction for almost a month. The current technical trading range boundaries are at \$3.174/MMBtu on the support side and \$3.422/MMBtu on the resistance end. With weather providing little impact through the shoulder months, nothing in the fundamentals provides an argument for prices moving much lower in the foreseeable future. Until summer starts to generate cooling demand, there is also little momentum for prices to move upward.

The weekend short-term weather forecasts remain mixed, with a cold pattern now engulfing about 50 to 55 percent of the country. This pattern should continue over the next two weeks with a smaller portion of the country (about 40 percent) expecting below-normal temperatures by the last week in May. Other than weather, demand for natural gas continued to increase last week. Total natural gas demand (which includes export volumes to Mexico) rose by 4% compared with the previous report week, while total U.S. consumption of natural gas rose by 3%. Natural gas exports to Mexico increased 16%. Power burn climbed by 9% week-over-week.

Natural gas storage is now 14% lower than the year-ago level but 16% higher than the five-year (2012–16) average for this week. The storage level over the five-year average helps to keep prices from moving up. However, natural gas dry production is down 3% compared to this time last year. How production responds over the next couple of months, as well as the pace of storage injections, will be two key factors driving gas prices through to the winter season.

HH SPOT PRICE & NG FUTURES CONTRACTS

Week Ending 5-5-17		HH Spot Price		NG Futures Contract	
		\$/MMBUT	% Chg.	\$/MMBUT	%Chg.
6 months	11/4/16	\$2.50	-15.82%	\$2.85	-12.81%
Last Quarter	2/3/17	\$3.12	5.05%	\$3.15	-3.58%
Last Month	3/31/17	\$3.03	2.02%	\$3.14	-3.94%
Prev. Week	4/28/17	\$3.09	4.04%	\$3.15	-3.58%
Last Week	5/5/17	\$2.97		\$3.27	



NATURAL GAS INJECTION & STORAGE LEVELS

Week End- ing 5-5-17	Net Injections		Storage	
	Bcf	% Chg.	Bcf	%Chg.
5/4/2017	67		2,256	
Previous Week	74	-9.5%	2,189	3.06%
Last year	68	-1.5%	2,615	-13.7%
5 Yr Avg	63	6.3%	1,953	15.5%

BULLS & BEARS

BULLS: Moving prices upward

- NOAA is forecasting above-normal temperatures this summer.
- Declining natural gas production, despite increased rig count.
- Exports to Mexico are at record highs and expected to continue rising.
- LNG exports are expected to increase from 2 Bcf/d to almost 9 Bcf/d over the next three years.
- PJM's Electricity Capacity Performance model has increased capacity clearing prices.
- Nine out of the ten warmest winters have been followed by hotter-than-normal summers. Last winter was the third warmest since 1950.
- EIA projects natural gas supply will only be 1% above five-year average this October.

BEARS: Moving prices downward

- President Trump's energy policies will impact the industry over the next few years, particularly his pledge to roll back regulations.
- 28,607 MW of natural gas fired electricity generation is expected to come online between 2015 and 2018.
- New pipelines will help boost gas production and moderate prices.
- Year over year, more NG drilling rigs are in operation, with more drilled but uncompleted wells on standby until prices increase.
- Natural gas storage ended the withdrawal season (November-March) at its third highest level in 10 years.
- Mild winter/spring temperatures have helped lower natural gas consumption.